MARKET SEGMENT REPORT **SEAFOOD** 151

Restaurant Business

A BILL PUBLICATION

OCTOBER 10, 1989

COMPANY OF THE YEAR 1989

SPECIAL REPORTS
THEFT AT WORK
102
MANAGERS SCORE JOB SATISFACTION
88

INDEPENDENT STARS
BERGHOFF BALLROOM
112

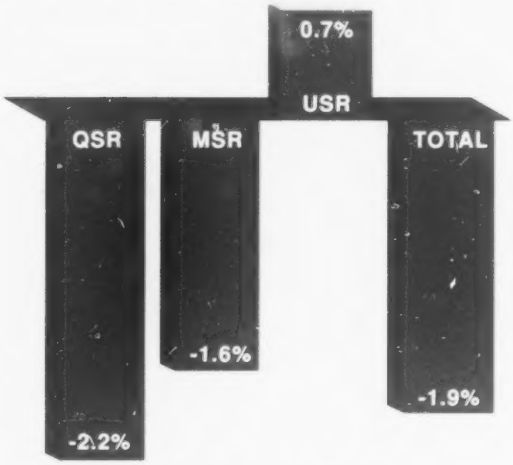
MENU IDEAS
SEASONAL SOUPS
209

LATELINE
ARBY'S FIRES CEO
232

HOW RON MAGRUDER AND COMPANY PRESS GROWTH
OLIVE GARDEN
FROM ITALIAN SEGMENT
137

BUSINESS BAROMETER

PERCENT CHANGE IN SPRING QUARTER
1989 Traffic vs. year-earlier period



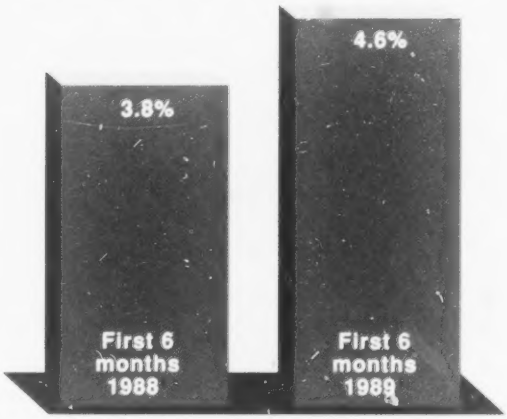
A Lukewarm Spring

According to the latest figures released by NPD/CREST Research, traffic for restaurants was down 1.9% in the spring quarter of 1989 from the year-earlier period. Most surprisingly, traffic in quick-service restaurants dropped 2.2%—a significant turnaround from recent reports that showed fast food as the primary driver of industry growth.

Midscale operators continued to struggle also, experiencing a 1.6% decline in traffic. Upscale restaurants posted a moderate increase of 0.7%.

SOURCE: NPD Research, CREST Service

PERCENT INCREASE IN CPI INDEX FOR
FOOD-AWAY-FROM-HOME

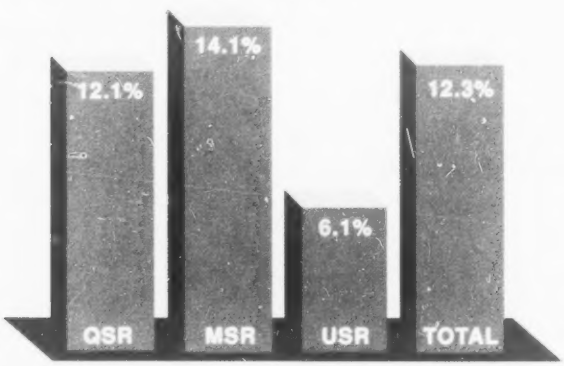


'Away-From-Home' Rises

The (Consumer Price Index) (CPI) for food away-from-home averaged 125.9 for the first six months of 1989—a 4.6% increase over the year-earlier period. In other words, consumers spent an average of 25.9% more on food-away-from home for the first half of 1989 than in the base years 1982-84. The index for the first six months of 1988 was 120.4, a 3.8% over the 1987 index of 116.0 for the comparable period. The increased rate of change is attributed to menu price increases due to rising operating costs.

Increase over year-earlier period
SOURCE: U.S. Department of Labor, Bureau of Labor Statistics

PERCENT CHANGE IN REVENUES OF
MAJOR PUBLIC RESTAURANT COMPANIES
From latest quarter to year-earlier period



Midscale Leads the Way

The 88 publicly held restaurant companies tracked by Technomic Inc. show a 12.3% increase in revenues for the latest quarters for which financial information is available, versus the same period a year ago. Due to strong performances by Sbarro, Buffets Inc., Morrison Inc., and Ryan's, the midscale segment had the largest increase—14.1%. Despite McDonald's relatively modest 8.5% gain, quick-service chains increased 12.1% thanks to 20%-plus increases by Taco Bell, Pizza Hut, Carl Karcher, and TCBY. A 2.4% decrease in revenues at TGI Friday's helped hold revenue growth at upscale chains in check, increasing just 6.1%.

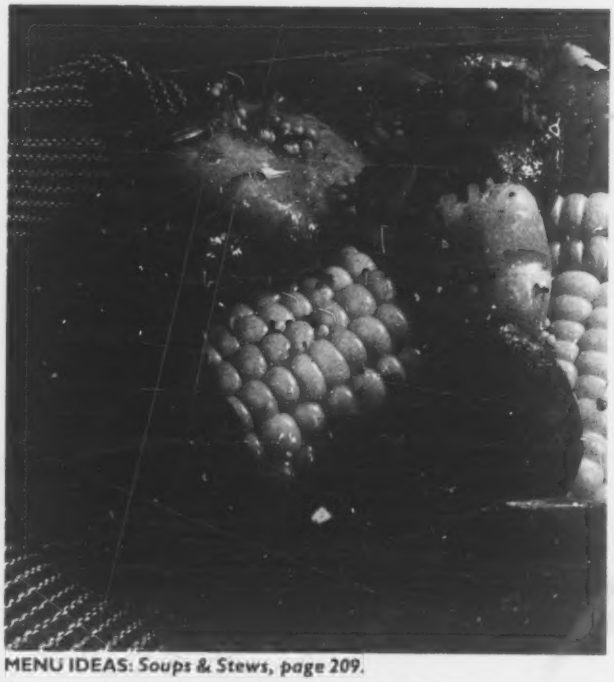
SOURCE: Company Quarterly Reports and Technomics Inc.

RESTAURANT BUSINESS

CONTENTS

OCTOBER 10, 1989 VOL. 88 NO. 15

COVER STORY: ***Company of the Year, Olive Garden, page 137.***



MENU IDEAS: ***Soups & Stews, page 209.***

COVER STORY

COMPANY OF THE YEAR **OLIVE GARDEN.** *General Mills' Olive Garden ranks among the country's fastest-growing dinner-house chains. Last year it had sales of $171 million in 1988 and opened 53 stores*..... 137

FOOD AND BEVERAGE

DRAFTS, CARAFES & SPIRITS **FUN DRINKS.** *These days, the traditional bartender's guide goes out the window in the constant search for new sensations*..... 199

MENU IDEAS **SOUPS & STEWS.** *Once associated with cold-weather cuisines, soups and stews with a lighter orientation are today featured throughout the year*..... 209

FEATURES

HUMAN RESOURCES **SATISFACTION.** *Part I of an exclusive management career survey that analyzes the challenges of the foodservice workplace*..... 88

INDUSTRY ISSUE **THEFT.** *Employee theft is costing the foodservice industry billions of dollars a year in lost revenue and merchandise. A primer on how restaurant operators are dealing with stealing*..... 102

INDEPENDENT STARS **THE BERGHOFF.** *This old Chicago standard has endured, serving hearty dishes in generous portions in a relaxed, old-world atmosphere*..... 112

INDEPENDENT STARS **THE BALLROOM.** *Chef Felipe Rojas-Lombardi has guided this combination restaurant, tapas bar, and cabaret in New York City to sales of $2.6 million in 1988*..... 118

FRONT-OF-THE-HOUSE MERCHANDISING **TABLES.** *The top of the table reflects the restaurant's image and sets the stage for the evening's performance*..... 126

REPOSITIONING **HAAGEN DAZS.** *Häagen-Dazs has launched a major product drive that executives are confident will give it a powerful expansion vehicle*..... 130

MARKET SEGMENT REPORT **SEAFOOD.** *The tide of seafood consumption is shifting, but savvy operators are not floundering. Instead, they're riding the wave of daily specials and underutilized species*..... 151

Cover art by Jack Tom.
Photography by Nobu Arakawa/Black Star.

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COLUMNS AND DEPARTMENTS

BUSINESS BAROMETER 2

EDITORIAL 8

GUEST COLUMNIST. *NRA President Harris H. Rusitzky: "The Business Meal Works"* 16

RESTAURANT OPENINGS 20

INSIGHTS. *Industry News* 24

TRADE QUOTES. *Stock Market Reports* 52

MENU PLANNER'S GUIDE 66

CALENDAR 72

HUMAN RESOURCES. 74

MARKETING. *Promoting Your Restaurant's Image with T-shirts* 79

COMPUTER LINK. *Back Office Software* 80

EQUIPMENT I.Q. *Purchasing and Operational Concerns about Fryers* 173

BUYER'S CIRCLE. *Noteworthy Equipment* 176

BAR MANAGEMENT GUIDE 202

FOOD FACTS. *Providing Nutritious Fuel for Teenagers' Growth* 204

CHEF'S ART. *Bill Poirier, chef of Seasons at the Bostonian, serves a unique fish and bread soup* 214

A LA MINUTE. *The American Culinary Federation Celebrates its 60th anniversary* 216

PIECE MEAL. *New Recipes and Purchasing Tips for Serving Mussels* 221

CLASSIFIED ADVERTISEMENTS 224

LATELINE. *Last-minute Newsbreaks* 230

INDEX TO OPERATORS 236

WASHINGTON WATCH. *Capitol Observations* 238

INDEX TO ADVERTISERS 240

READER COMMENT CARD 241

REPRINTS, INDEX AVAILABLE

Restaurant Business *now has available specially prepared reprints of the* **1989 RESTAURANT GROWTH INDEX** *and the* **1989 MAJOR FORCES IN FRANCHISING**. *The reprints are available for $5 per copy.*

In addition, Restaurant Business *is now offering its* **1988 EDITORIAL INDEX** *for $25 per copy.*

Direct inquiries to: Editor Peter Berlinski, Restaurant Business, *633 Third Ave., New York, NY 10017.*

MARKET SEGMENT REPORT: *Seafood, page 151.*

IN THE NEXT ISSUE

COVER STORY

LEVY RESTAURANTS

In just 10 years, Larry and Mark Levy have developed an innovative restaurant company with creative concepts designed to meet the needs of a wide variety of consumers. Levy Restaurants currently owns and operates over 35 restaurants in Chicago, Pittsburgh, and now Walt Disney World. Levy Restaurants was picked from more than 13 finalists in Disney's nationwide search for a company to create and operate its two new restaurants: The Fireworks Factory and Portobello Yacht Club. *RB* gives you an in-depth look at what makes Levy Restaurants so successful in all of its varied markets and locations.

MENU IDEAS

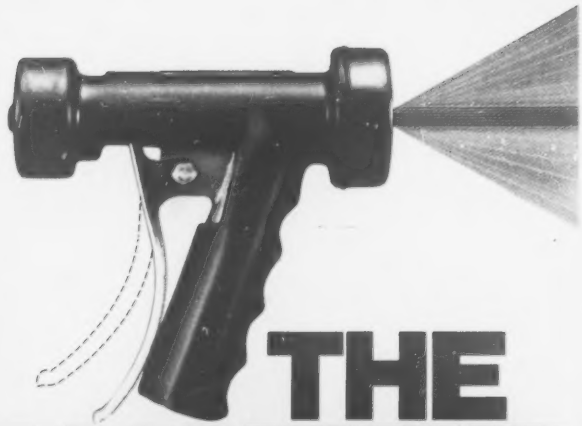
HOT & SPICY

As ethnic food has become more mainstream, customers have shown a strong interest in eating hotter and more intensely flavored foods. Spices and ingredients, such as cilantro, chiles, and lemongrass, are exotic no more, and have taken their place alongside ordinary salt and pepper.

MARKET SEGMENT REPORT

PIZZA

Despite intense competition within the $14 billion pizza segment, most chains have showed no signs of moderating their ambitious expansion plans. Still one of the fastest-growing market segments in terms of revenue, pizza continues to grow steadily in units as well. Home delivery and discounting are just some of the methods used to boost sales, as operators hurry to keep pace with each other and this menu item's popularity.



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JOB SATISFACTION

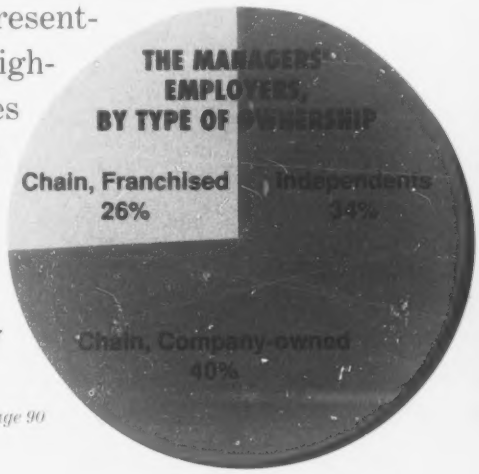
Unit Managers Rate Their Employers and Their Careers.

By Marjorie Freedland

With the aim of developing information to better understand the job frustrations besetting our industry's managers, *Restaurant Business* and human resources specialists Deutsch, Shea & Evans conducted an exclusive, national foodservice management career survey. Participants were unit managers from all market segments (see chart at right). Through the survey, they revealed their feelings about their positions and futures in the industry.

With this feature, which will be presented in two parts, *RB* offers survey highlights. Part I in this issue describes the respondents, identifies their preferred employers, and reveals their reasons for accepting current restaurant management jobs. Part II will discuss unit managers' key career and compensation concerns.

continued on page 90



The foodservice industry's reliance on labor goes far beyond the need for hourly workers. Unit managers hold the key to the success of every retail foodservice operation. Yet little is known about the work attitudes and career aspirations of this group.

With a declining talent pool, how can the industry best attract qualified people to this pivotal foodservice function? Once they are on board, what can be done so that they will stay with the organization and achieve maximum profit for the owners?

In order to help the industry understand their career concerns, *Restaurant Business* and Deutsch, Shea & Evans Inc. (DSE) recently conducted a motivation survey among foodservice managers. It explored their attitudes toward their work and their employers, their problems and their career plans. While some motivation research has been done by individual foodservice organizations among limited and segmented samples, this project is unique in providing quantitative, industrywide results.

The questionnaire was designed to allow foodservice managers to write freely about both their job satisfactions and their frustrations. And write they did. They provided so many and such colorful insights of the industry from their perspective that the highlights of our findings will be presented in two parts.

Part I describes the respondents, identifies their preferred employers, and gives the major reasons they accepted their present restaurant management jobs and left their former positions. Part II will appear in *RB*'s November 1 issue and will focus on the problems of foodservice unit managers and their assessment of top management, compensation, benefits, and foodservice career options.

THE PARTICIPANTS. First, who are the unit managers who responded? Eighty-two percent are men; 17% are women. Their ages range from under 25 to over 60. However, their median age, the point at which half are above and half below, is 34.

Seventy-eight percent were college-educated: 68% as undergraduates; 10% attended graduate school. Eighteen percent were high-school-educated and just 4% went to culinary school. Business administration was the most popular major (23%), particularly among the men. Foodservice management was second with 10%, equally popular with both sexes.

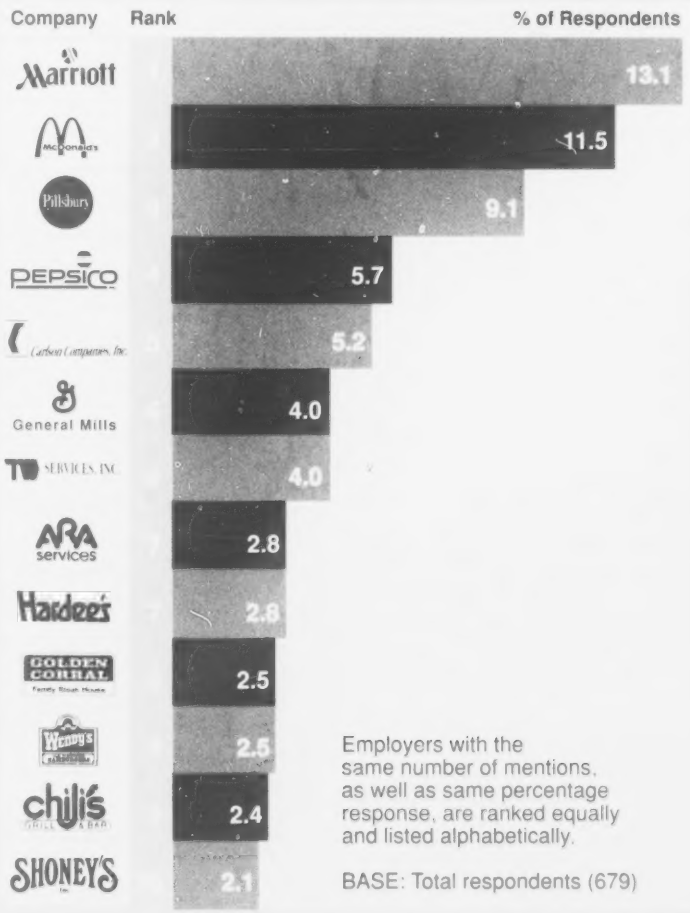
Their management experience ranges from under a year to 40 years. The median is 10½ years. The men have

continued on page 92

Marjorie Freedland is senior vice president and director of research for Deutsch, Shea & Evans Inc., specialists in human resources research, advertising, and communications.

UNIT MANAGERS' CHOICE: THE BEST FOODSERVICE EMPLOYERS, BY PARENT COMPANY

When asked their opinion of the best employer, unit managers chose the following companies as the Top 10 ranked employers. For sake of parity, we have consolidated various chain choices that share the same parent company. For example, Taco Bell, Pizza Hut, and Kentucky Fried Chicken all fall under Pepsico.



Employers with the same number of mentions, as well as same percentage response, are ranked equally and listed alphabetically.

BASE: Total respondents (679)

STRESS FACTOR

'Dealing with three to four thousand people a week has to create stress—even in a good week.'

over two years more experience than the women, whose median experience level is 8½ years. Median tenure as a foodservice manager for their present employer is approximately six years for both sexes.

By job title, they are primarily general or business managers, 73%; assistant managers, 10%; kitchen managers, 7%; or the owner/partner, 6%. Men are more often general managers than women (74% to 64%). Women hold the title of assistant general manager (17%) and kitchen manager (10%) more often than men (9% and 6%, respectively).

THEIR EMPLOYERS. Thirty-four percent work for independents and the rest for chains: 40% company-operated, 26% franchised (see pie chart, opening page). They report the type of foodservice operation as table/booth, 74%; drive-in/drive-thru, 13%; cafeteria, 13%; carry-out, 10%; and delivery, 2%. This totals over 100% due to multiple answers.

These operations range in size from four hourly employees to 1,000. The median is 42 hourly employees.

A significant finding is the fact that half the women work in independent operations, compared to 31% of the men. Furthermore, men work in somewhat larger establishments, averaging 44 hourly employees. The median staff size where women work is 36. This may indicate that women perceive a lack of opportunity in chain operations.

Some chain operation managers identified their parent organizations. Dairy Queen/Brazier, Denny's, Hardee's, Kentucky Fried Chicken, Golden Corral, Marriott, and Burger King each were named by at least a dozen respondents. Approximately 180 other companies were mentioned as current employers.

THE TOP 10. Which employers do they rate best for foodservice managers? In a free response question, they wrote in their first, second, and third choices. More than 240 companies were named, showing a wide range of preferences. This finding is evidence that many companies lack a strong image as an employer among this group.

Those companies who made it to the top 10 by parent company (see chart on page 90) were ranked by total mentions for first, second, and third place. More than 10 employers were listed because in a few cases, two companies received the same number of mentions.

Generally, these employers are preferred by all demographic sectors.

JOB ACCEPTANCE. Salary, advancement, challenge, job responsibilities, benefits, and positive company image were major reasons these unit managers accepted their current positions. Compensation was clearly the top motivation. Thirty-four percent mentioned pay as a critical factor. Benefits and job security were cited by 12% and 3%, respectively.

Twenty percent were looking for career advancement. In addition, 9% wanted to get foodservice management experience.

Work factors also figured prominently in their job choice, particularly the challenge involved (14%), and their responsibilities (12%). Autonomy (4%), dealing with customers (3%), and working with company people (3%) were related considerations. Their enthusiasm was typified by remarks such as, "I enjoy serving the public in the hospitality industry. I *love* my job." Others took their jobs because they feel the "people business is fun."

Company reputation was a major influence on 12% of these unit managers. The quality of their remarks is indicative of the importance they place on image. They wrote about the "quality and success of the organization," "a young company with a lot of opportunities," "a new expanding company with leadership I knew and trusted," and "a company that cares about you as an individual, not as a store number."

There were other less frequently mentioned reasons for job acceptance. Among them, just 6% took the job because they anticipated a favorable work schedule—a 48-hour work week or a five-day week, rarities in this industry.

Some respondents wanted to escape their prior unbearable work situation, such as one unit manager who confided, "I was constantly harassed to outperform everyone else—by putting in 90- to 100-hour work weeks—but I still received poor pay and no benefits."

GENDER DIFFERENCES. Men were far more preoccupied with compensation and company image than women. For women, advancement and job challenges were the key attractions (see chart on page 94).

Money was particularly important in the 25-to-39 age group, and concern with advancement peaked with the 30- to 34-year-olds. By type of ownership, those who opted for chain company operations were—far more than the overall sample—interested in salary (43%); advancement (29%); company image (19%), and benefits (19%).

Those unit managers working for independents were drawn first by compensation (27%), then by job challenge (22%). Those working for chain franchisees were most concerned with compensation (31%); advancement (15%);

continued on page 94

STRESS FACTOR

'There's not enough time to do all you want to do. It's also hard to juggle work and family.'

owning, buying, or joining the family business (15%); and job responsibilities (14%).

QUITTING TIME. Reasons for leaving their prior management positions were varied. It is critical for chain and independent operators to understand what factors drive unit managers to change jobs, in order to solve their turnover problems.

Fifty-six percent previously worked as managers for another foodservice organization. Why did they leave? They cited many reasons, but the top five were: problems with upper management or the owners, 28%; low salary, 21%; lack of advancement, 17%; the restaurant went out of business or was taken over by new owners, 13%; and long hours, 12%. Percentages are based on those with prior management experience.

Disenchantment with senior management was the primary reason for the entire sample, both sexes, the 25-to-49 age group, and those with six to 20 years of experience.

The respondents complained most about: poor and disorganized management; receiving no feedback and no recognition; being treated unfairly; and not getting their bonuses. They felt an acute lack of interest and that management "broke promises."

The impersonal and bottom-line culture of "too large a corporation" was described by one respondent who wrote, "Corporate structure causes one to be just a number—no real personal caring of what is good for an individual restaurant, just a short-term numbers game." And from another unit manager: "Very little importance is put on the individual's needs."

Low salary was a sore point, as was lack of advancement. They deplored "career stagnation" and promotions that were political, rather than performance-based.

Even in this industry in which long hours are standard, there is a limit to their endurance. Hours were variously described as "over-demanding," "excessive," and even "ungodly." Not uncommon was the respondent who left because of a 12- to 14-hour workday, seven days a week.

THE POSITIVE SIDE. Though they left positions for the aforementioned reasons, there are still aspects of working in the industry that they love. What do they like most about their present job?

The findings are overwhelmingly conclusive that their primary source of job satisfaction is their work: the autonomy it affords them (32%); dealing with customers (27%); job challenge and diversity (16%); managing employees (14%); and their other job responsibilities (13%).

They are control-oriented, quintessential entrepreneur types. They express their autonomy as having "pow-

continued on page 96

UNIT MANAGERS' MAJOR REASONS FOR ACCEPTING PRESENT POSITION, BY GENDER

Men and women had different priorities when accepting their position. Salary and company image were more important to male unit managers; female unit managers cared more about advancement opportunities and job challenges.

	Total (679)* 100%*	Male (559) 82%	Female (115) 17%
Compensation Factors			
Salary	34%	37%	20%
Benefits	12	13	10
Job security	3	4	**
Opportunity for business growth	**	**	2
Career Factors			
Advancement opportunities	20	20	24
Chance to gain experience	9	9	10
Opportunities (unspecified)	4	4	2
Opportunity to apply prior foodservice knowledge	4	3	9
Work Factors			
Job challenge	14	13	21
Job responsibilities	12	12	10
Autonomy/independence	4	4	4
Customers	3	3	**
Co-workers	3	3	3
Company Factors			
Company image/reputation	12	13	7
Love of foodservice industry	5	5	4
Type of restaurant	4	4	3
Other Factors			
Store Location	7	8	5
Own/bought/family business	7	8	4
Hours	6	5	10
Needed a job/out of work	5	5	4
Facilities/working conditions	3	3	6
Miscellaneous	4	4	4
No answer	6	5	10

*The male/female breakdown adds up to 674 because five respondents failed to identify their genders. **Less than 1%
Base: Number of respondents shown in parentheses.
Note: Totals exceed more than 100% due to multiple responses.

STRESS FACTOR

'Things happen *now*. You have no time to think. It is an instant business—you must be *on* at all times!'

er," "total control," "freedom to make my own decisions," "complete trust from my supervisors in my decision-making," and "no one looking over my shoulder."

They revel in their role as host, "enjoy seeing happy guests," and meeting and greeting customers whom they regard as "new friends." They are the consummate communicators, basking in the people contact so essential to success in this business.

The constant challenge and diversity of "no two days ever being the same," of "new mountains to climb," keeps boredom from setting in. Something new and exciting happens every day, and not knowing what adds to the dynamic environment in which they thrive.

The scope of their responsibilities, pulling all the aspects of the business together, is greatly satisfying to them. Creating menus, upgrading their restaurants, and the like, are part of it. They especially like the action on "busy nights when everything clicks."

They take a keen interest in their hourly employees, their "crew." Watching the "regulars" grow, molding the staff into a great team, working with them to make their first job meaningful, are all positive aspects of the work.

For male managers, autonomy is the leading source of satisfaction, but interacting with customers is tops for women. Furthermore, proportionally more women than men like dealing with employees. This is in line with DSE attitudinal research in other occupations in which women were found to be more people-oriented than men. This is a significant finding in an industry so dependent on people skills, and in which, thus far, relatively few women are managers.

What is the "down" side of their current jobs? Not surprisingly, considering the reasons they gave for leaving previous positions, unit managers complained most about long hours (32%), problems with employees (19%), and problems with management (17%), lack of freedom imposed by rigid management style (10%) and ineffective upper management (7%).

MARRIED TO THE BUSINESS. For many, work schedules are horrendous. They feel married to the business. Eighty-hour weeks are not unusual, and some who manage to get away are on call 24 hours a day. Not being able to take weekends or holidays off results in deterioration of their family relationships, and the overall quality of their lives suffers.

In addition, employees who are not so easy to train and problems associated with managing them are decidedly negative aspects of their responsibilities. Managing problem staff includes supervising and disciplining, hiring and firing, and dealing with thievery. In a nutshell: Babysitting young adults is not fun. Their "problem" staff members are "kids who do not care about the restaurant business, who don't know how to or are not willing to think." They are often lazy, irresponsible, immature, and dishonest. It is a strain to deal with the "childish mentality of teenage kids," and waste time contacting delinquent or tardy workers.

These unit managers recruit and train new employees, only to have them quit without any notice. As one respondent described his staff's attitude, "Employees believe you owe them for working for you. We have lost the ideal of 'work hard and be what you want to be.' It's more 'give me what I want, or this is what you get'."

In addition to employee behavior problems respondents cited the declining availability of teenage workers and the declining quality in the teenage labor pool (7%), and turnover (4%).

Perhaps their most venomous remarks were directed toward their own senior management, which restricts their independence and initiative through "corporate hand-tying" and "meddling." They deeply resent lacking authority to select their own assistant managers, and "people sitting in the office trying to run my operation on the telephone." As one expressed it, "The general managers are losing control over the say-so in their stores."

Other criticism was aimed at headquarters managers who don't know the business, particularly field operations, and don't care about their field managers. In many cases there is total lack of communication from the home office to the field. Individual store managers are often not consulted on "stupid promotions"—or anything else.

There is a pervasive feeling that they "get no respect"—no appreciation, no credit, and no rewards for a job well done. To make matters worse, unit managers' home offices often set "unrealistic sales quotas."

As top management is variously described as uneducated, unresponsive, nonsupportive, and even underhanded, it is apparent many in this survey sample are in this business in spite of rather than because of top management.

Other negatives include too much paperwork (6%), low salary (5%), job stress (5%), and poor benefits (4%).

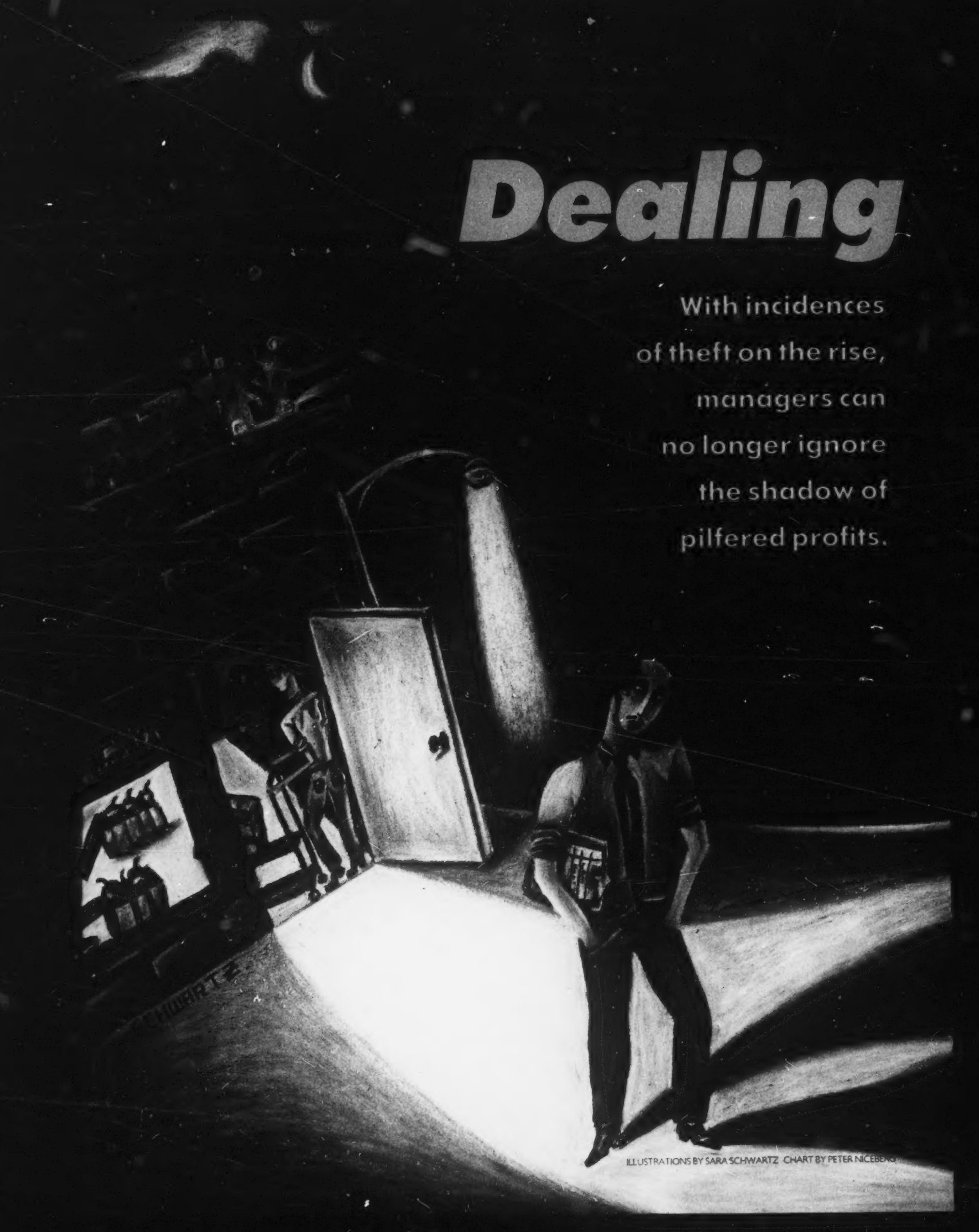
Men's major complaint was long hours (33%); problems with employees headed the women's list (29%). Understandably, the youngest and least experienced restaurant managers dislike disciplining employees, most of whom are just a few years younger than they are. Heavy work schedules are disliked more in chain operations than in independents, and the tight reins of corporate autocracy are felt most in company operations.

Note: Deutsch, Shea & Evans' survey sample was derived from a selection of managers on Restaurant Business' *national controlled circulation list. The questionnaires were mailed on April 10, 1989. The 679 usable responses received by the cutoff date were tabulated for this report.*

Part II will appear in *RB*'s November 1 issue.

Dealing

With incidences of theft on the rise, managers can no longer ignore the shadow of pilfered profits.



ILLUSTRATIONS BY SARA SCHWARTZ CHART BY PETER NICEBERG

with Stealing

BY RALPH RAFFIO

ON A BRISK JANUARY MORNING THIS YEAR, SAM Fredericks* was driving to work when his car phone rang. "Get over here quick," said the raspy, broken voice of his partner, Ed McCoy. "Don't stop along the way, either. We've got big problems, real big." Before Fredericks could say anything, the line went dead, and McCoy was gone. The next few miles—only a seven-minute drive to the restaurant he'd owned for more than two decades—seemed to Fredericks to take hours.

Usually empty at 10 a.m., the restaurant's parking lot was jammed with police cars when Fredericks arrived. Yellow tape—the kind they use to secure a crime scene—seemed to go clear around the building; police blockades kept curious onlookers out of the way. Sam Fredericks, visibly shaken, imagined that he was having a bad dream as his partner pulled him to the side of his car to explain: Earlier that morning someone had entered the restaurant and shot its executive chef of 20-odd years dead. The investigation is still underway, but the authorities have tied the shooting to a kitchen worker who'd been fired four days earlier for stealing thousands of dollars' worth of food. The police believe the employee blamed the chef for losing his job.

"People don't usually kill other people over a few dollars," says a source close to the investigation. "There's only one reason (the accused) would be so vicious—because he was making a lot of money ripping off that restaurant. This is not about nickels and dimes, it's about *real* money. And it's getting worse."

BILLIONS LOST TO THEFT. Though restaurant operators are loath to talk openly about it, employee theft is costing them billions of dollars a year in lost revenue and merchandise. Restaurant owners and security experts estimate that about five cents on every dollar spent in U.S. restaurants is lost to theft, amounting to over $8.9 billion in cash and property in 1988 alone. That's roughly equal to three-quarters McDonald's 1988 revenues, and it's about $3 billion higher than Burger King's.

There are those who say these estimates are too high, yet there are an equal number who claim they are not high enough. Accuracy in matters of theft is extremely difficult to ensure, a fact born out by conflicting national studies. Annual estimates of how much employee theft costs U.S. businesses range

continued on page 104

* *Sam Fredericks and Ed McCoy are pseudonyms used in order to protect the operators' anonymity.*

Security experts estimate that about five cents on every dollar spent in restaurants is lost to theft.

anywhere from the U.S. Chamber of Commerce's $20 billion to $40 billion figure to other estimates running as high as $100 billion.

However, few people dispute that employee pilferage—not outside influences—accounts for the vast majority of what *is* stolen in restaurants. "Employee theft is big, real big," says Tony Feicco, vice president of operations for International House of Pancakes, North Hollywood, CA, and a former employee of the Central Intelligence Agency. "You're also seeing bigger hitters than in the past. The actual dollar amount a person is willing to take seems to be a lot higher than it used to be." Feicco says that between 3% and 5% of IHOP's sales are, in fact, lost to employee theft.

Though large fast-food chains are perhaps best protected against employee pilferage—tight inventory control and point-of-sale procedures see to that—not even here can operators breathe easy. A recent study of 341 fast-food workers done by London House Inc., a Park Ridge, IL-based research firm, showed 62% of those surveyed outright admitting to stealing cash or property from their employers at least once in the last six months. More than half said they knew about occurring thefts.

GETTING WORSE. Owners think employee theft is on the rise. They say workers are getting smarter about skimming—and that they've become more daring, a characteristic owners strongly believe has been fostered by an ineffective legal system.

"Legally, there's not a whole lot we can do to someone who steals from us except ask them to leave, and almost every employee knows it," says one restaurateur who asked not to be identified. "The court system doesn't work, and the legal system makes it very difficult to report pilferage without being hit with a lawsuit. It's extremely difficult to foster an atmosphere of culpability under those circumstances. No, it's damned near impossible."

IHOP's Feicco sees another problem. A lot of workers, he says, feel *entitled* to skim. Still shocked by her reaction, Feicco tells of a waitress in New Jersey who was caught stealing $500 to $700 a week by pocketing early morning tabs. "She admitted to taking the money," says Feicco. "Then, after agreeing to pay back $7,500, she asked, in all seriousness, whether she should come to work the next day. There was absolutely no feeling of guilt attached to what she'd done." Which leads to the big question: What's a restaurant owner to do?

"It all comes down to controls and discipline," says Ted Swann, who owns 18 Pizza Hut restaurants in Kansas. Swann insists that good point-of-sale systems are the single most important deterrent to pilferage. "If you do nothing else," says the veteran restaurateur, "you must have excellent guest check control. If you're doing a good job with that, you can keep losses below 2%."

Mike Amos, a vice president with Sandia Holdings Inc., the Arizona franchisee of Applebee's restaurants, agrees. "Our POS systems help us considerably," says Amos. "Servers can't do anything without a hard copy check. There's an audit trail to our system that's a mile long." Amos, who claims that restaurants without tight POS systems could easily experience as much as 10% shrinkage, says that his company's five Applebee's units report shrinkage of around 1%.

But there's more to good controls than just a POS system. Says Swann: "I've got some very sophisticated controls and follow-up accounting systems, but without good people working for me none of it's worth very much. Practically everything comes down to what kind of team you put together."

TREATING THEM RIGHT. Putting together a hard-working team, of course, says more about the operator than the staff. "It's a constant challenge to keep a staff motivated and content," says Doren Chisolm of Embassy Suites, Dallas, TX. "If you treat people well, provide them with attractive meals and such, you've created a more positive situation—one where people are a lot less likely to take advantage."

On the other hand, owners who are prone to encouraging tipped employees to underreport their earnings, or who think nothing of "selectively" logging in a day's worth of receipts, ought not be surprised when they fall victim to pilferage. After all, the restaurant owner acts as role model. Through good example, say many experts, one can substantially affect theft patterns among hired employees.

Hiring the right people, of course, is anything but simple. For one thing, restaurants, bars, and hotels—which are notorious for high employee turnover—are constantly in the market for new workers. That is perhaps the worst possible set of circumstances for making a decision on whether or not to hire someone. On the other hand, many experts say that the hiring process is where you first start controlling internal theft. In *Protecting Restaurant Profits*, a book prepared for the National Restaurant Association's Educational Foundation, author Stephen G. Miller says this: "Experts have developed screening tools that

Operators say that employees are more daring and smarter about skimming from the till.

help in assessing the quality and honesty of job candidates. These tools require a bit of effort to master, but they do help reduce internal theft."

TO TEST OR NOT TO TEST. Not everyone agrees, however. Though much is made of it, many experts feel that preemployment screening is anything but the answer.

"The assumption that you can predict, through a written examination, the criminal intent of a person is absolute hogwash," says Anthony Marshall, dean of the School of Hospitality Management at Florida International University, Miami. "If you want to check up on a person, pick up the phone and check his references." That, says Marshall, who is also an attorney, provides a far more reliable character analysis than written examinations.

Many restaurant operators admit to neither doing a background check nor any other kind of investigation before hiring many employees. That may sometimes be the result of neglect on their part, but not always.

"The channels of communication among employers have been largely cut off," says a major dinner-house operator. "If I fired a guy for stealing—which I've done plenty of times—then told another operator about the incident, I'd get sued by the person I fired. Unless you've got rock-hard evidence that they've been stealing, you'd better be very careful about making accusations."

"A lot of operators just don't want to talk to each other about employees anymore," says another restaurateur.

In fact, owners do have some cause for concern. Wrongful termination suits are not uncommon in the restaurant industry, and the cost of losing can often be quite high. Howard Johnson Co. was once ordered to pay $100,000 in damages to an employee it accused of stealing, when a jury found the employee innocent of the charges brought against her. Other cases have shown similar results. Recently, a Dallas bartender won a $400,000-plus wrongful termination award from a restaurant he'd been fired from after several years of service.

GOOD COMMUNICATION. But restaurant operators maintain that communicating with one another is essential to making good hiring decisions. They just have to be careful about what they say when giving a reference. "When I'm called as a reference, I just tell the person whether I will or won't re-hire the employee," says an owner. "I won't say anything else, but most times that is enough."

Restaurant owners are also encouraged to seek each other out. "Networking is very important," says Applebee's Amos. "You can accomplish a lot by sitting down for a soda and informally going over things."

Fear of litigation is, of course, but a small part of a much larger picture. The biggest concern for restaurant operators is correcting a theft problem before it's too late. For this, more and more operators are turning to private investigators. Among those who did so are Sam Fredericks and Ed McCoy. It was a private investigator—not the chef who lost his life—who discovered the accused kitchen worker loading boxes of steak and shrimp into a van.

All this has been a boon to the private-eye business. Known as "spotters," investigators typically visit a restau-

continued on page 106

TO CATCH A THIEF

1. Purchasing Controls: To avoid kickbacks between buyers and vendors, a management-level individual must oversee food and supply buying. Competitive bidding is essential to the buying function's integrity.

2. Receiving Security: Assign receiving duties to a neutral party, not someone who has buying, storage control, or accounting responsibilities.

3. Entrance/Exit Monitoring: Only one door should be designated as the authorized employee entrance and exit. The door should not be a receiving door.

4. Cash Register Procedures: Position cash registers in full view of management and guests; this makes it more difficult for cashiers to mishandle guest checks or cash. Detail tape must be refilled regularly and immediately; no transactions should be allowed without a printed record on the tape.

5. Surprise Audits: If a cashier is suspected of stealing, have a supervisor suddenly take over the cashier's register during a slow period. The supervisor should close out the register, remove the cash and register detail tape, and replace with a new bank.

6. Numbered Guest Checks: For maximum control, all guest transactions should be accompanied by a numbered guest check. The checks should be assigned to servers in consecutive order, thus avoiding "missing" or "lost" checks.

7. A Disciplined Bar: To avoid overpouring, supply bartenders with standardized recipes and measuring utensils. To avoid bartenders' use of personal supplies of liquor, institute a package inspection station at the employee's entrance, but also consider marking bottles with a code.

8. Automatic Liquor Dispensers: Preprogrammed liquor control devices can automatically record drink prices as they are electronically dispensed. These systems help reduce unrecorded sales, overpouring, underpouring, and human error.

9. Hire Investigators: Through their unannounced visits and detailed status reports on your operation, private investigators can be especially useful to restaurant owners out to identify where theft occurs. Cost is usually reasonable. However, when hiring an investigator be sure to check his credentials and even contact some of his former clients.

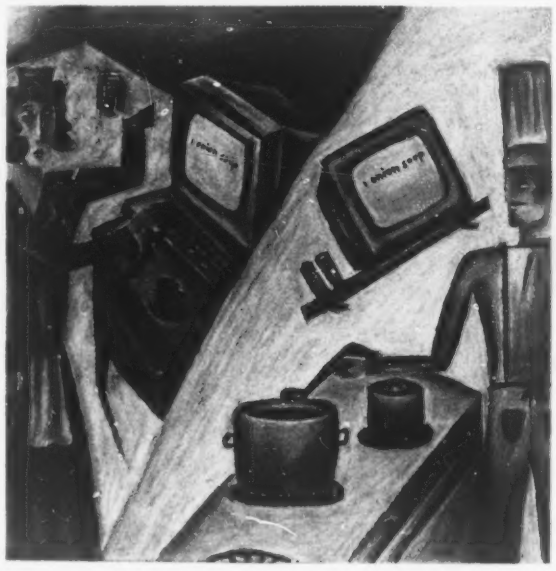
10. Smart Hiring: Simply put, the more effort you put into hiring a person the better off you'll be. Though sometimes difficult to secure, reference checks are essential. Beyond hiring, however, owners must clearly state their policies on theft to employees. Leave no room for doubt regarding the consequences of actions.

Source: National Restaurant Association

The legal system makes it very difficult to report pilferage without being hit with a lawsuit.

rant or bar, spend a couple of hours eating or drinking, but most of all watching employees go about their business. They then file a report with the owner. Though spotters have for many years been used primarily for quality control purposes, they are increasingly sought out for theft prevention. Pizza Hut's Swann says he is now using spotters between nine and 12 times a month at each of his 18 restaurants. At a cost of only $100 per restaurant per month, Swann says the investment is "cheap, real cheap."

THE EQUALIZER. Bill Gegenwarth, manager of The Equalizer & Associates Investigative Services, Thornton, CO, has been hired by more than 2,000 restaurants and lounges. In 90% of them, he says, owners have fallen victim to employee theft, particularly at the bar. "There's no question that the majority of what's stolen in restaurants comes out of the bar," says Gegenwarth. "The big restaurant chains have to have strong managers to prevent theft at the bar, but even then it's very difficult to stay on top of things."



In fact, says Gegenwarth, even the most sophisticated inventory or POS control devices aren't above the determined thief. "One client of ours had a computerized liquor dispenser that also ran up the cost of the drink, yet he still believed he was being shorted," explains Gegenwarth. He was. "We found that a bartender was using a magnet to throw the system off. Instead of ringing up the cost of the drink, the system was ringing up zeros."

"Controls are only as good as the person using them," says Fred Del Marva, chairman of Food & Beverage Investigations, Novato, CA. "The reason this is such a sensitive subject in the hospitality industry is because owners and managers are sometimes the problem. Employees see the boss getting lax and so they get lax. Before long, you've got big problems." Del Marva, whose firm also sends spotters to restaurants and hotels, says that the average overpour at bars he's visited is anywhere from 25% to 50%.

Stolen merchandise can also be a major problem for restaurants. Though keeping track of product can at times be simpler than watching every cash transaction—many restaurants have installed video cameras near exits and locker rooms—there's always someone finding a way to outsmart you. Del Marva tells the story of a major fast-food chain that became concerned when food costs in one market had grown excessive. A private investigator was hired to find out whether any theft was in evidence.

"We planted two guys in a store as workers, and everything looked good," says Del Marva. "We decided it had to be an outside job, so we parked a van outside the restaurant with a couple of investigators inside it. At about 3 a.m., when the maintenance crew was inside cleaning up, a pickup truck showed up. The maintenance crew was pushing half chickens out of a mail slot—a few cases of chickens a day—which were loaded into the van and then sold to local restaurants. These days, that sort of theft can be very costly to an operator. It could even put you out of business."

PREVENTABLE SHRINKAGE. Private investigators are becoming an important part of today's restaurant business. And with good reason. Competition has put the squeeze on many owners, so much so that their bottom lines cannot afford even the slightest amount of preventable shrinkage.

But many operators still seem uninterested in investigating their employees' backgrounds *before* hiring them. "Practically none of the lounges we've worked with perform background investigations on employees," says Gegenwarth. The Equalizer provides a seven-year history of a person, complete with criminal and employment records. "They think it's too expensive, that it isn't cost-effective." To the average restaurant owner, background checks can be expensive. At $50 per employee, a typical restaurant could easily spend thousands of dollars a year checking out employees.

Many operators believe that even diligent detective work isn't going to stop employees who want to steal. But there are some patterns to watch out for.

"In a tightly run operation, cash is more likely to be taken by management-level employees than by hourly workers," says Amos. "Salaried people know the system better, and they have greater access to things, so be careful not to allow too much autonomy. Where hourly workers are concerned, you've got to watch out more for their taking product. If a ham's sitting near the back door, it's gonna grow legs, so make sure there's a lock on the door."

If an owner thinks he has a problem, however, Amos suggests first trying the simplest, cheapest approach. "If you want immediate impact, call the staff together and address the problem. Tell them you know something's going on, and tell them you're going to be watching everyone. You'd be surprised how effective that can be."

Ralph Raffio is a free-lance business writer with many years of experience writing about the foodservice industry. He is based in Jersey City, NJ.

SEAFOOD

MARKET SEGMENT REPORT

From the craggy, misty shores of Maine to the busy piers of San Francisco to the warm tropical ports of Florida and the Keys, seafood is a staple. Along the East and West coasts and around the curving Gulf shores to Louisiana and Texas, seafood independents have won huge, loyal followings.

In the last decade or so, seafood restaurants have won equally staunch customers far inland, thanks to a revolution in transportation and customers' growing appetite for the sea's bounty.

"I find more and more good fish in the Midwest thanks to improved transportation," notes Jon Rowley of Fish Works!, a Seattle-based seafood consulting firm that works with restaurants. "Shaw's Crab House in Chicago serves exactly the same quality that you can get in Seattle. Today, all you have to do is just put the seafood on a plane and make sure it's packed right."

SAFETY CONCERNS. But the seafood segment is not without its problems. In some regions, concerns about the safety of seafood caught in polluted waters have scared customers, and the rising prices of a limited resource have helped dampen consumers' enthusiasm for fresh fish.

"A customer would have to be living in a cave not to have had his awareness raised about problems with seafood sources and handling," notes Dick Monroe, who is vice president of public relations for Orlando-based Red Lobster, a division of General Mills Restaurants Inc.

In recent years, seafood consumption

continued on page 152

Seafood restaurants have moved farther inland, thanks to improved transport and patrons' growing appetites for fish.

Among inland seafood restaurants that have managed to earn staunch followings is Atlanta's Fish Market, part of the Buckhead Life Restaurant Group.

By Jacque Kochak

has been increasing at a heady pace. But in 1988, for the first time in five years, per-capita consumption figures showed Americans ate less seafood than the year before.

In 1988, according to the National Marine Fisheries Service, overall consumption of fresh and frozen seafood declined from 10 lb. per capita to 9.6 lb. Consumption of canned and cured seafood (mostly tuna) remained flat, but shrimp continued to gain in popularity.

Reasons for the slight decline are varied. For one thing, many popular species have become very expensive, and in a marketplace where value is the key, seafood doesn't always seem to be the best value. Besides the fact that some popular fish are scarce, prices have been affected by the fact that record U.S. exports recently tightened domestic supplies.

Fears about the safety of some seafood have been fanned by extensive media coverage of the subject, such as *Time* magazine's recent cover story entitled "Is Anything Safe?" Although Southern consumers seem unconcerned about reports of pollution affecting seafood safety, New England diners are touchy, and the Northeast has shown the biggest drop in consumption.

The news is not by any means all bleak, however. Most full-service seafood operators surveyed report that sales are as good as or better than ever, and some seafood independents boast multi-million dollar volumes that are unquestionably among the highest in the industry.

"I can tell you that we haven't seen a drop in consumption in Red Lobster's restaurants," says Monroe. "Any way you slice it, Red Lobster's absolute volume has been going up."

Fast-food operators, who are especially dependent on one or two species and are less flexible than full-service restaurants, have suffered the most. Even they, however, are finding ways to adjust.

PROBLEMS WITH PRICING. As the price of seafood has spiraled upwards, restaurants specializing in it have naturally had to adjust. Most use "fresh sheets" or change the menu daily or weekly to take advantage of the best-priced species, and some have made more use of underutilized species that were once dismissed as "trash fish." That is not always an option, however.

The 20 Rusty Scuppers, concentrated in the Midwest, Northeast, and mid-Atlantic states, serve seafood with an emphasis on grilled fish.

"Down here customers want their grouper, their snapper, their dolphin fish," says Gary Scharps, vice president of operations for Miami-based Crab Houses. "They're not looking for orange roughy. We do use underutilized species, but we have to be careful. Amberjack is very popular in Atlanta, but we can't give it away in Florida."

Scharps notes that as the supply of popular species gets too expensive, Florida customers may be more interested in experimentation. That's why, he says, educating consumers is important even if the process is difficult and expensive.

Although one source says that the number of seafood species available in the U.S. could increase to about 1,500 by the mid-1990s, experts question whether customers will ever accept totally unfamiliar species.

"I don't think there's a whole lot of interest in the 'weird and wonderfuls'," says consultant Rowley. "The customer needs to be able to fit the product into a seafood category with which he is already familiar."

Therefore, many restaurateurs are somewhat limited in how flexible they can be, and seafood prices in the last year have been very erratic and hard to follow. For example, once-inexpensive mahi-mahi has skyrocketed in price, while expensive salmon has become more reasonable.

Because of concerns about seafood supplies, fish farming, though expensive, is becoming a more viable option. Fish farmers are now experimenting with redfish, halibut, and turbot, and hybrid striped bass is also being grown. Tilapia is very easy to grow, and a couple of farms in Florida are growing frogs.

Concerns about the safety of seafood and rising prices have dampened sales.

Not surprising, seafood is still re-

continued on page 155

gional in its appeal. According to RE-COUNT data compiled by the Restaurant Consulting Group Inc., Evanston, IL, far and away the most seafood restaurants are located in the South Atlantic region. Of a total of 59,133 restaurants, 4.9%—or 2,879 restaurants—specialize in seafood.

Seafood restaurants are not as well represented as might be expected on the Pacific coast, where only 1,601 restaurants out of 64,332, or 2.5%, specialize in seafood.

Even more surprising, RE-COUNT says there are more restaurants specializing in fish and seafood in the East/South Central region, encompassing Mississippi, Alabama, Kentucky, and Tennessee, than in New England. The East/South Central region claims 776 fish restaurants, or 4.2% of the total; New England has 702 fish restaurants, or 3.5% of the total.

The statistics are slightly misleading, however: both Long John Silver's, with headquarters in Lexington, KY, and Captain D's, with headquarters in Nashville, TN, have a fair number of units in those areas. With the exception of a few small chains such as Kansas City-based Gilbert/Robinson Inc.'s Bristol Bar & Grill, far more full-service seafood restaurants are located on the coasts. General Mills' Red Lobster, of course, has units located across the country.

There is definitely a regional aspect to which species customers prefer, as well. "Certain fish classics, like salmon and swordfish, sell everywhere," says consultant Rowley. "Orange roughy is popular in the Midwest, catfish is popular in the South, and they recently put planked whitefish on the menu at Shaw's Crab House in Chicago, and it goes well there. But planked whitefish just wouldn't work in Arizona or California."

"BUDGET" SEAFOOD. An interesting development in the Southeast is the growth of small chains specializing in low-priced, abundant seafood. They successfully fill a niche between full-service, sit-down seafood dinner houses and fast-food chains.

These "budget" seafood restaurants operate with a high food cost—as much as 50%—and generate high volumes by offering large quantities of foods at bargain prices ($8 to $12 for dinner). They keep costs in line by such measures as using disposable dinnerware and refusing credit cards.

"The budget seafood places are following the normal progression of entering a mature market," says Red Lobster's Monroe. "It's like when the Japanese came into the mature U.S. automobile market with their budget cars."

By far the largest full-service seafood restaurant chain in the business is Orlando-based Red Lobster, part of General Mills Restaurants Inc.

Seafood restaurants will benefit from the trend toward healthy foods.

An example is Tampa, FL-based Shell's, with 20 units now open from Tampa to Atlanta and an outpost that opened in August in New York City. The company hopes to have 25 units open by the end of 1989, and 50 stores open by the end of 1991.

Shell's forgoes elaborate decor in favor of lots of food at very low prices. In fact, its motto is "Put the atmosphere on the customer's plate."

And prices are impressively low. For example, the Dungeness crab platter is heaped with a pound and a half of crab for only $9.95. Shrimp pasta includes a half pound of shrimp in a bowl full of pasta and rich cream sauce for only $7.95.

The menu is a single sheet with regular offerings, including seafood pastas, fried clams, scallops, soft-shell crab, shrimp, cod, and grouper, as well as onion rings, salad, cheesecake, and Key lime pie. The opposite side of the menu lists daily specials.

In order to keep costs low, founder John Christen converts existing restaurants, adding simple decor touches such as nets and crab pots.

The approach is successful. The company's 1988 sales reached $25 million; 1989 sales are projected to reach $41 million.

SEAFOOD DINNER HOUSES. Upscale seafood restaurants are almost overwhelmingly independents, some of them nearly legendary in their markets, and posting some of the highest

continued on page 156

volumes in the entire restaurant industry. Nevertheless, a few chains have developed, proving that the logistics of transporting fresh seafood and coordinating ever-changing menus are not overwhelming.

By far the largest full-service seafood restaurant chain in the business is Red Lobster. Some 446 Red Lobsters in 38 states are now open, and expansion plans call for a continued march along both coasts. An estimated 20 restaurants a year will open, with the emphasis on filling in markets in the Pacific Northwest and the Northeast.

Last year, Red Lobster added 46 units, but Monroe says that was an aberration. The company bought 26 Seafood Broiler Restaurants in the Northwest and converted them to Red Lobsters.

Red Lobster's systemwide sales topped $1 billion last year, and the bustling restaurants served more than 102 million guests over 60 million lb. of seafood.

Despite Red Lobster's voracious demand for seafood, Monroe says that availability has never been a problem. "We're in an enviable position because we buy from so many countries throughout the world that we are able to keep a very close ear to the market. If we hear rumors of a shortage, we are prepared," he says.

Red Lobster is able to adjust to fluctuating seafood prices because of the size of the menu. With "create-your-own-platter" options, Red Lobster offers about 100 different entrees, including 10 fresh fish selections every day. Monroe says that while the cost of one seafood alternative might be up, the cost of another is down, so everything evens out.

Red Lobster is among those companies that are paying serious attention to customers' concerns about seafood safety. Seafood is monitored constantly from boat to plate.

The company's purchasing people deal directly with the fisherman, fleet, or cooperative in foreign countries, says Monroe. "For example, they go straight to shrimp farms in Ecuador," he explains. "And before we ever do business with a company, we inspect their boats or their plant and investigate their shipping procedures."

In 1988, seafood consumption declined from 10 lb. to 9.6 lb. per capita.

Once a supplier is chosen, quality-control people do spot checks periodically. And once seafood is shipped to the States, Red Lobster's own microbiology lab analyzes samples from each shipment before it is accepted for distribution. At the store level, seafood goes through a formalized inspection procedure upon delivery, then is formally checked twice a day.

"This is all very expensive, but we're a $1 billion company," says Monroe. "We don't want to jeopardize that. It's a cost of doing business that we consider absolutely essential."

Red Lobster offers a brochure in its stores that offers information about the company's quality control. Additional information is featured on place mats.

TOP OF THE CATCH. Public concerns about the safety of seafood in some parts of the country have also led Allston, MA-based Legal Sea Foods to publicize the company's very stringent buying procedures. For example, Legal Sea Foods will only buy a trawler's freshest "top of the catch."

They also take affidavits from all trawlers verifying the source of the catch, and won't accept any fish that doesn't come from certified inspected beds. Almost all Legal Sea Foods' offerings come from George's Bank, far out in the deep, icy waters of the open Atlantic.

In order to be absolutely sure these standards are maintained, Legal Sea Foods employs its own fish buyers who go to Boston's piers daily to buy right off the trawlers. Back at headquarters, the fish is cut by workers wearing surgical gloves in a refrigerated environment. A certified bacteriologist works

continued on page 162

Mobile, AL-based Morrison's Inc.'s 21 L & N Seafood Grills serve only fresh seafood and boast average unit sales of $2.2 million.

full-time conducting tests on the catch.

"In fact, we do more tests than the state of Massachusetts, so we report to the state on the condition of the beds," says Karen Lloyd, Legal's director of marketing.

All this is communicated to customers through advertising that talks about "Legal Quality."

That famous Legal quality has led to a profitable sideline for the company: Legal Sea Foods is now in the business of delivering seafood all over the country via overnight express services.

About eight years ago, actress Carol Channing told owner George Berkowitz that she wished she could get Legal's fresh seafood when she was on the road. Other customers sometimes called long distance with similar laments.

MAIL ORDER. "When you've got people demanding a service, you sit up and take notice," says Lloyd.

The service was begun on a regular basis. Two years ago Legal Sea Foods put together a catalogue showcasing live lobster, clam chowder, clam chili, a variety of fish, and other products. Company representatives visit trade shows to tout the service for corporations as an employee incentive, and corporations have become a large part of the business.

Because it is so important that lobsters arrive alive, Lloyd says that employees do a "friskiness test" before a lobster is packaged and shipped. "We take them out of the tank about 20 minutes before they go," she says. "If they get limp, we know they won't survive the trip. They have to show definite signs of vitality."

Mail order has become a significant part of Legal Sea Foods' business, says Lloyd, though she declines to give figures. The company also operates seven full-service restaurants in the Boston area.

A major expansion of the company's Chestnut Hill unit is underway, with a new dining area featuring grilled seafood, available late into the night. "We realized that there was no place in that area to get good food late in the evening, but we also realized that people don't want heavy food at night," explains Lloyd.

Legal Sea Foods has avoided a chain image, with decor individualized at each site. Dining rooms are mid- to upscale, with elegant accents of brass, wood, and tile. The clientele includes many tourists, and families are happily accommodated. Average check is about $25 per person.

Lloyd says that Legal Sea Foods may offer the most extensive selection of fresh seafood in the country on its menu, which changes weekly to accommodate any price fluctuations.

Many underutilized species, such as brown-shelled mahogany clams, are featured, and Legal Sea Foods was among the first to popularize the once-humble monkfish.

Legal Sea Foods has also been innovative in experimenting with different styles of seafood cuisine. China's Shandong province cuisine was introduced by importing a Chinese chef to Boston, and one unit is now featuring a *Kappo* bar, showcasing cooked Japanese seafood specialties such as broiled swordfish with ginger sauce, broiled eel with white rice, and smoked salmon roll.

AN ABUNDANCE OF SEAFOOD. Almost all of the restaurants operated by Pepper Pike, OH-based Stouffer Restaurant Co. specialize in seafood or serve a great deal of seafood.

Stouffer is a subsidiary of the Swiss company, Nestlé Enterprises; sales figures are not available.

The company's number-one growth concept is J.B. Winberie's, specializing in fresh seafood (representing about 30% of sales) and pastas as well as salads, sandwiches, and burgers. Average check is about $12.

Winberie's is located in select upscale neighborhoods and draws from a radius of three to five miles, says marketing manager Peggy Anderson. Stouffer's other concepts, Rusty Scupper and Parker's Lighthouse, are more destination restaurants.

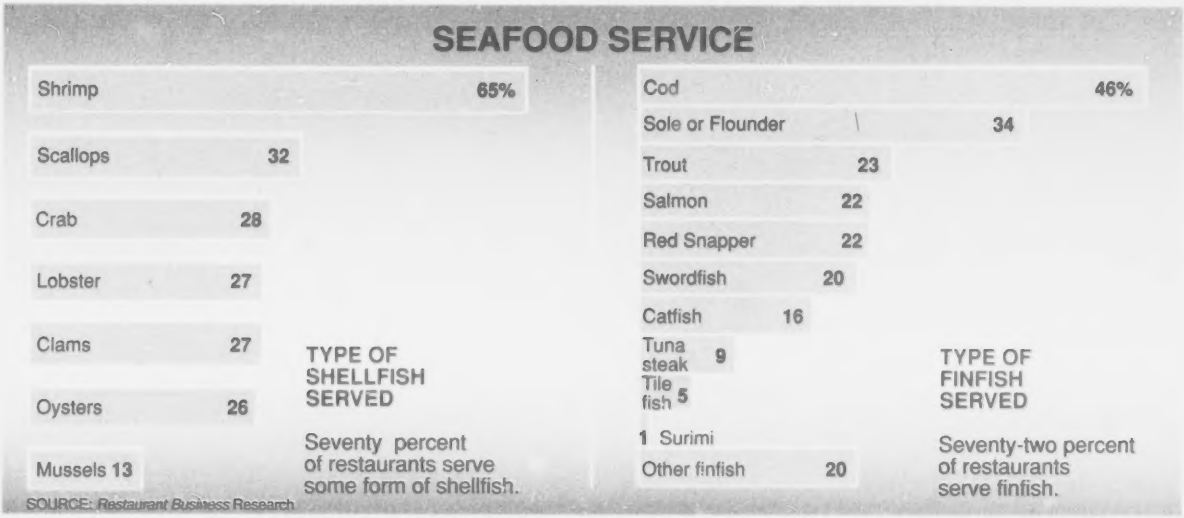
The most difficult challenge is to maintain a consistent supply of product.

The 37 Winberie's are casual, with seating and separate rooms for privacy. Two or three new units are scheduled to open in the next year.

The 20 Rusty Scuppers, heavily concentrated in the Midwest, Northeast,

continued on page 164

SEAFOOD SERVICE



SOURCE: *Restaurant Business* Research

and mid-Atlantic states, serve seafood and certified Angus beef at an average check of about $14. Sales break down to about 60% seafood, 40% beef, according to Anderson.

Emphasis is increasingly on grilled fish, says Anderson, with current favorites being salmon, red snapper, trout, and haddock. Fresh seafood is listed on the menu daily using a computer printout.

Rusty Scuppers feature dramatic architecture, lots of windows, and nautical artifacts.

The five Parker's Lighthouses are each located on the waterfront. Expansion is slow because of a dearth of attractive waterfront locations. One unit will open this year; others are located in Long Beach and Newport Beach, CA, Tampa and West Palm Beach, FL, and Brooklyn, NY. The Parker's Lighthouse menu is almost exclusively composed of seafood.

Seafood for each restaurant is brought in fresh daily through suppliers in each city. When less familiar species are offered, servers are briefed on specifics such as taste and texture so they can pass the information on to the customers.

L & N Seafood Grills is an important part of the specialty restaurant division of Mobile, AL-based Morrison's Inc., says senior vice president Richard McGeoch.

Morrison's operates 110 specialty restaurants in addition to its 169 family dining restaurants, most of which are cafeterias. Of the 110 specialty restaurants the majority are Ruby Tuesday's, a fern bar concept offering hamburger, chicken, and pasta dishes. Only 21 are L & N Seafood Grills, but the Grills contribute a hefty $2.2 million each to company coffers, says McGeoch.

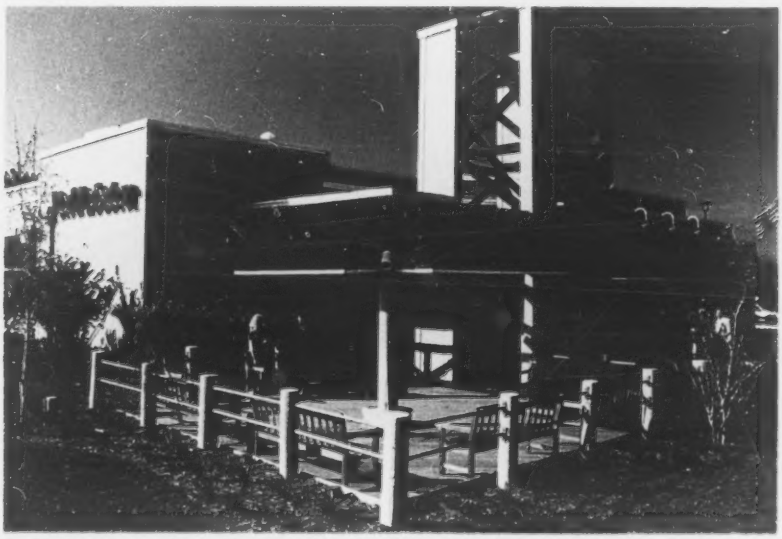
L & N's menu ranges in price from $5.95 to $10.95, with selections being sautéed, mesquite-grilled, and fried. The concept is built around a completely fresh menu, with nothing frozen. Local seafood is used; fish that can't be found locally are air-freighted in.

The restaurants attract a fairly sophisticated clientele, says McGeoch. "In the Southeast, there are a lot of less expensive places to go for seafood," he notes.

Seafood restaurants abound in Florida, with the emphasis on serving local favorites. One of those local favorites is stone crab, the specialty served at The Crab House and Captain Crab's Take-Away restaurants.

There are five fast-food-style Take-

continued on page 166



Red Lobster served over 60 million lb. of seafood last year.

Away units open, and six full-service Crab Houses, according to vice president of operations Gary Scharps. All the units are located in Florida except two Crab Houses in Atlanta.

The company's systemwide sales were expected to top $22 million by the end of fiscal 1989 on August 28.

The restaurants are casual, with a rustic atmosphere and newspapers spread on tables where customers can crack their own crabs. The Crab Houses serve a wide variety of seafood in addition to stone crabs.

LAND-LOCKED. Among inland seafood restaurants that have managed to earn staunch followings is Atlanta's Fish Market, part of the Buckhead Life Restaurant Group.

The 7,000-sq.-ft. Fish Market, located in the Lennox Square mall, specializes in seafood prepared in a continental style. Appetizers include Savannah lump crab; smoked baby trout with spiced cream, capers, onion, and lemon; blackened snapper cheeks with chili hollandaise; soft-shell crabs with almonds and brown butter; and lump crab with spinach, feta cheese, and lobster sauce.

Fresh fish selections range from imported Dover sole to baked scamp fillet stuffed with a spicy filling of lump crab and glazed with champagne. An unusual selection is Three Fillets Epicure, consisting of swordfish *au poivre*, salmon julienne, and red snapper with wild mushrooms, served with three sauces. Price range is from $12.75 for boneless trout to $22.75 for a fish and shellfish combination.

The Fish Market is the second restaurant developed within the Buckhead Life Restaurant Group, headed by Pano Karatassos. The other restaurants are Pano's & Paul's, Capriccio Ristorante, and Buckhead Diner.

Every day 750 lb. to 1,000 lb. of fish for the five restaurants is delivered and cut at The Fish Market. The buyer of the fish for Buckhead Life restaurants is Karatassos, who each morning either calls or goes to his suppliers and places orders. The executive chef and the head butcher meticulously check deliveries to insure that the selected fish are there.

The restaurant's decor is elegantly casual, with large domed skylights, marble walls, and antique accessories.

Allston, MA-based Legal Sea Foods is now in the business of delivering seafood all over the country via overnight express services.

At press time, Buckhead Life Restaurant Group was in the process of opening a sixth restaurant called Chops, specializing in steak and seafood.

QUICK-SERVICE SEAFOOD. While full-service seafood restaurants have reported few problems with supplies of favored fish, fast-food operators are in a far more vulnerable position because of their dependence on a single species--cod.

By far the largest fast-food chain specializing in seafood is Lexington, KY-based Long John Silver's Seafood Shoppes, a division of Jerrico Inc. Long John Silver's story is illustrative of the problems inherent in dependence on a single species.

With 1,469 Seafood Shoppes, Long John Silver's is the major purchaser of cod fillets in the United States. The company buys approximately 50 million lb., or about one-third of the frozen cod fillets sold in the country on an annual basis.

When world supplies of cod shrank in mid-1986, at a time when consumption was rising and the dollar had lost value against other world currencies (reducing the purchasing power of the U.S. dollar against the currencies of other fish-buying countries), Long John Silver's was caught unprepared.

In late 1986, Long John Silver's shifted promotions away from batter-fried fish to other products, because suppliers said they couldn't meet scheduled delivery dates.

At the same time, some 200 franchised shops that dealt with other suppliers were cut off completely, and headquarters supplied them to keep them in business.

continued on page 168

The cost of cod fillets soared from $1.60 and $1.70 a pound in early 1986 to $2.30 a pound in mid-1987, cutting deeply into profits.

In 1986, Long John Silver's was hardhit with the recognition that dependency on North Atlantic cod must be reduced. Management started seeking out new cod resources as well as investigating alternative fish species.

The strategy is bearing fruit this year; the company started fiscal 1989 with cod costs averaging $1.80 or less a pound, and with a cod stockpile of 6 million lb.

As recently as fiscal 1987, all of Long John Silver's fish came from Iceland and Canada. Now, new Canadian suppliers have been added, with Norway, Sweden, and Alaska seen as promising sources.

At the same time, alternative species are taking on more importance. The company's Crispy Breaded Fish, introduced late in 1987, makes use of South American whiting processed in Uruguay. Antarctic whiting from Chile is viewed as a high-quality substitute for cod in the preparation of batter-fried fish.

Finally, the introduction of a broiled section earlier this year helped reduce dependence on cod by utilizing halibut, flounder, salmon, and chicken.

The result of all this effort is that operating margins were increased by 2% in fiscal 1989, making it possible to once again promote batter-fried fish. In addition, lower costs produced some $12 million in operating profits for company-operated shops.

Long John Silver's are scattered nationwide, with the greatest number in the Midwest and Texas. Expansion plans call for some 2,000 units, company-owned and franchised, by fiscal 1993.

Captain D's, with almost 600 units in a 24-state area, is another of the major fast-food purveyors of seafood. Executives of the Nashville-based Shoney's subsidiary declined to be interviewed,

Restaurants use daily specials to take advantage of price breaks.

but according to Shoney's annual report, Captain D's sales are also on the upswing and profit margins are seen to be improving.

In fiscal 1988, revenues for Captain D's 343 company-owned stores surpassed $216 million, up 8% over the previous year. Average unit volumes reached $630,000, which the annual report claims is the highest of any major fast-seafood chain.

Profit margins at Captain D's were also affected by the price of codfish, up during the first part of the year but dropping as codfish supplies began to expand.

Shoney's has stated its intention to place greater emphasis on franchising, and that emphasis will carry through to Captain D's expansion. Current plans are to emphasize franchise development in the Midwest, although opportunities are available nationwide.

THE FUTURE. Despite the drop in seafood consumption, operators in the seafood segment are optimistic. They are taking steps to counteract negative publicity about seafood safety, and experimenting with different species.

Seafood restaurants will undoubtedly continue to benefit from the public's increased interest in healthy foods. Besides being lower in calories than beef, some seafood offers unusual health benefits. For example, clam shells contain a substance reported to reduce serum cholesterol, and clams have far less cholesterol than most chicken products.

"I think that the future is somewhat predictable," says Red Lobster's Monroe. "People are eating more seafood away from home, and the market will continue to grow. The challenge is to assure that the quality is what the customer expects."

PHOTOGRAPH BY TOM BARR

Pepper Pike, OH-based Stouffer Restaurant Co.'s Rusty Scuppers feature dramatic architecture, lots of windows, and nautical artifacts.